

Message Text

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ACTION EB-07

INFO OCT-01 ARA-06 EUR-12 EA-07 ISO-00 CIAE-00 DODE-00

PM-04 H-01 INR-07 L-03 NSAE-00 NSC-05 PA-01

PRS-01 SP-02 SS-15 USIA-06 AID-05 COME-00 FRB-03

TRSE-00 XMB-02 OPIC-03 LAB-04 EPG-02 SIL-01

OMB-01 IGA-02 ACDA-07 /108 W

-----111814Z 022147 /44

P R 111657Z MAY 77

FM AMEMBASSY LISBON

TO SECSTATE WASHDC PRIORITY 1324

INFO AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY CARACAS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY OSLO

AMEMBASSY OTTAWA

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY STOCKHOLM

AMEMBASSY TOKYO

AMEMBASSY VIENNA

USMISSION EC BRUSSELS

USMISSION OECD PARIS

C O N F I D E N T I A L LISBON 3746

E.O. 11652: GDS

TAGS: EFIN, PO

SUBJ: FINANCIAL ASSISTANCE TO PORTUGAL

REF: STATE 088960

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1. MARIO SOARES TODAY, MAY 11, CONVENED AMBASSADORS OF COUNTRIES WHOSE PARTICIPATION WE ARE SEEKING IN MULTI-LATERAL LOAN PROGRAM FOR PORTUGAL. LOCAL AMBASSADORS, AS COULD BE EXPECTED, ARE POSITIVE TOWARD THE IDEA AND MEETING WENT SMOOTHLY. SOARES' PITCH RAN ALONG THE FOLLOWING LINES:

(A) MAY 16 CONFERENCE IS OF VITAL INTEREST TO

PORTUGAL AND GOP IS WORKING HARD TO MAKE THE CONFERENCE A SUCCESS. YOU AS AMBASSADORS ACCREDITED TO PORTUGAL HAVE BEEN WITNESSES IN OUR STRUGGLE TO ASSURE DEMOCRACY. WE NOW HAVE A STABLE POLITICAL AND MILITARY SITUATION, BUT WE NEED TO RESTORE THE ECONOMY AS WELL. FAILURE TO DO SO WILL BRING SOCIAL AGITATION THAT WILL LEAD TO THE COLLAPSE OF DEMOCRATIC INSTITUTIONS.

(B) SOME TIME AGO HE (MARIO SOARES) ASKED THE USG TO MAKE A LOAN OF UNUSUAL PROPORTIONS TO PORTUGAL. THERE DEVELOPED THE IDEA OF A CONSORTIUM, BUT THE WORD CONSORTIUM DID NOT MEET WITH THE FULL APPROVAL OF ALL THE POTENTIAL MEMBERS. THUS THE SITUATION HAS EVOLVED TO THE POINT WHERE WE ARE TALKING ABOUT MULTILATERAL COORDINATION OF BILATERAL AID (SOARES REFERRED TO "MULTILATERAL LENDING" BUT VITOR CONSTANCIO WHO INTERPRETED INTO ENGLISH TRANSLATED THIS AS "MULTILATERAL COORDINATION OF BILATERAL AID"). THE GOAL IS TO ENABLE PORTUGAL TO RECEIVE THE NECESSARY LOAN FINANCING OVER THE NEXT THREE YEARS TO MAKE UP FOR THE PROJECTED DEFICITS IN ITS BALANCE OF PAYMENTS (WHICH CENTRAL BANK GOVERNOR SILVA LOPES SAID WOULD BE ABOUT \$800 MILLION THIS YEAR). THE GOP FOR ITS PART WILL TAKE THE NECESSARY MEASURES TO REDUCE THE DEFICIT AND PROMOTE ECONOMIC RECOVERY.

(C) IF THE LOAN PROGRAM FAILS THE COMMUNISTS WILL HAVE A SECOND CHANCE. THE PCP HAS NOT GIVEN UP ITS TOTALITARIAN AIMS. IT HAS IN MIND A COMPLEX STRATEGY INVOLVING PORTUGAL, ITS FORMER AFRICAN TERRITORIES AND THE AZORES AND MADEIRA. MEANWHILE, THE EXTREME RIGHT CONTINUES TO DREAM OF A RETURN TO THE PAST. SUCH A RETURN
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WOULD NOT BE TOLERATED EITHER BY EUROPE OR THE US.

(D) TO AVOID THESE EXTREMES IT IS ESSENTIAL THAT THIS INTERNATIONAL LENDING EFFORT SUCCEED. PRESIDENT CARTER UNDERSTANDS THIS FULLY AND HAS BEEN PERSONALLY COMMITTED TO MAKING THE PROGRAM A SUCCESS. HIS INVOLVEMENT IN ITSELF REPRESENTS AN IMPORTANT GUARANTEE FOR PORTUGAL. (CONSTANCIO, PERHAPS MORE AWARE THAN SOARES OF EUROPEAN SENSITIVITIES, DID NOT TRANSLATE THIS PART SO MANY OF THOSE PRESENT ARE UNLIKELY TO REPORT IT.)

(E) SOARES CLOSED WITH A PERSONAL APPEAL TO THE AMBASSADORS THAT THEY COMMUNICATE HIS MESSAGE TO THEIR GOVERNMENTS UNDERSCORING HOW VITAL THE LOAN IS FOR THE FUTURE OF DEMOCRACY IN PORTUGAL.

2. AT END OF SESSION I STRESSED THAT MAY 16 MEETING WAS TECHNICAL LEVEL MEETING AT WHICH NO PLEDGES WOULD BE EXPECTED.

3. COMMENT: SOARES MAY SOUND A BIT REPETITIOUS TO US AT

THIS POINT, BUT HE CAME ACROSS WELL AND REINFORCED MANY OF THE
POINTS WE HAVE MADE. IT SHOULD BE AT LEAST marginally HELPFUL
TO HAVE LOCAL AMBASSADORS WEIGH IN WITH THEIR GOVERN-
MENTS. WE WOULD BE INTERESTED IN ANY FEEDBACK
ADDRESSES MIGHT RECEIVE.
CARLUCCI

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC ASSISTANCE, FINANCIAL PROGRAMS, DEBT REPAYMENTS, SPEECHES, MEETINGS
Control Number: n/a
Copy: SINGLE
Sent Date: 11-May-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977LISBON03746
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D770166-0330
Format: TEL
From: LISBON
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770571/aaaacyb.tel
Line Count: 122
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: ffbeba96-c288-dd11-92da-001cc4696bcc
Office: ACTION EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 77 STATE 88960
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 08-Dec-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2571438
Secure: OPEN
Status: NATIVE
Subject: FINANCIAL ASSISTANCE TO PORTUGAL
TAGS: EFIN, PO, (SOARES, MARION)
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/ffbeba96-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009